

SENATE FINANCE COMMITTEE  
March 13, 2014  
9:11 a.m.

9:11:40 AM

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 9:11 a.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair  
Senator Kevin Meyer, Co-Chair  
Senator Anna Fairclough, Vice-Chair  
Senator Click Bishop  
Senator Mike Dunleavy  
Senator Lyman Hoffman  
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Lesil McGuire; Bill Pedlar, Chair, Government Relations Committee, Alaska Travel Industry Association; Robbie Graham, Assistant Commissioner, Department of Commerce, Community and Economic Development; Chris Peloso, Attorney, Department of Law, Juneau; Christine Marasigan, Staff, Senator Kevin Meyer; Amanda Ryder, Fiscal Analyst, Legislative Finance Division; Senator John Coghill; Leslie Huston, Deputy Commissioner, Department of Corrections.

PRESENT VIA TELECONFERENCE

Bernard Washington, Anchorage, State Assessment Review Board; Hilary Martin, Legislative Legal Services, Juneau.

SUMMARY

SB 64      OMNIBUS CRIME/CORRECTIONS BILL

CS SB 64 (FIN) was REPORTED out of committee with a "do pass" recommendation and with previously

published zero fiscal notes: FN:8(ADM), FN:9(ADM), FN:10(ADM), FN:11(LAW), FN:12(GOV); three new fiscal impact notes from the Senate Finance Committee; new fiscal impact note from the Department of Corrections; new fiscal impact note from the Alaska Court System; and new zero fiscal note from the Alaska Court System.

SB 194 TOURISM MARKETING BOARD

SB 194 was HEARD and HELD in committee for further consideration.

^CONFIRMATION HEARINGS

[9:14:10 AM](#)

Co-Chair Meyer stated that Mr. Dennis Mandell withdrew his confirmation.

BERNARD WASHINGTON, ANCHORAGE, STATE ASSESSMENT REVIEW BOARD (via teleconference), introduced himself.

Co-Chair Meyer asked Mr. Washington to elaborate on his request for confirmation. Mr. Washington explained that he submitted his name, because he believed that Alaskans must participate in the process. He felt that his expertise would be important for the board.

Co-Chair Meyer asked if this was a nonpaid position. Mr. Washington replied in the affirmative.

Co-Chair Meyer wondered if Mr. Washington was currently employed by the media, in public radio and television. Mr. Washington responded in the affirmative.

Co-Chair Meyer asked if served on the Assessment Review Board. Mr. Washington replied that there were efforts to ensure that there were no overt conflicts.

Senator Olson wondered what qualifications that Mr. Washington would bring to the position. Mr. Washington explained that he spent 35 years in the oil industry. The last 15 years of his career, he served in the pipeline area. He was responsible for the Trans Alaska Pipeline System (TAPS) evaluation, tariffs, and cost analysis of reconfiguration projects. He was involved in the Alpine and

Kuparuk Pipelines, and conducted evaluation and tariff analysis for those pipelines.

Senator Olson queried Mr. Washington's position on Judge Gleeson's decision regarding the controversy on the pipeline project evaluation. Mr. Washington responded that there the uncertainties increased as the life of an asset like TAPS went beyond 15 years. One of the biggest uncertainties was related to where the crude would originate that would, hopefully, fill the line. If the crude was off-shore, and the environmental considerations like the warming of the Arctic Ocean presented themselves, opportunities for moving crude would become available. He felt that assessments must be made regarding potential transportation opportunities with respect to the value of TAPS.

Senator Olson queried Mr. Washington's experience with natural gas, and his thoughts on the current Alaska Liquid Natural Gas (AK LNG) proposed project. Mr. Washington replied that there should be a focus on how the AK LNG project would compete in the global market. He stressed that Alaska had a higher cost overall, because the pipeline was going to be very long in order to reach tide water. Other places in the world had more readily accessible transportation systems. He stressed that Alaska must pick the right time slot to bring the gas to market.

[9:19:25 AM](#)

Senator Olson asked if Mr. Washington had lived anywhere else in Alaska, besides Anchorage. Mr. Washington stated that he had lived in Anchorage since 1962, and has not lived elsewhere since.

Co-Chair Meyer stated that he knew Mr. Washington personally, and stressed that he was not a typical "oil executive." He felt that the candidate was experienced, and remarked that he was also very active in the community. He wondered what boards and commissions Mr. Washington had served. Mr. Washington replied that he was the treasurer for the Board for Beans; the treasurer for the Alaska Community Foundation; the chair of the Public Facilities Commission in the Municipality of Anchorage; the chair of the Health and Human Services Commission in the Municipality of Anchorage; and the treasurer of the Foraker

Group. He felt that one must serve the public for the greater good of society.

Senator Hoffman noticed that the candidate had listed the Alaska Permanent Corporation and the Regulatory Commission of Alaska (RCA) as other board interests. Mr. Washington responded that he would be interested in the opportunity, if it presented itself. He stressed that he enjoyed the analysis of funding and financing in the oil and gas industry.

Co-Chair Kelly commented that there was not a high level of scrutiny about considering and confirming the governor appointees. He remarked that judges were not appointed by the people, so he would like the people to elect judges.

9:26:03 AM

Senator Bishop wondered if Mr. Washington had worked on TAPS. Mr. Washington replied in the affirmative.

Senator Bishop asked if Mr. Washington had worked on the strategic reconfiguration of TAPS. Mr. Washington replied in the affirmative.

Senator Bishop asked if the strategic reconfiguration plan of TAPS added value to TAPS. Mr. Washington replied that the work gave TAPS the ability to handle varying crude amounts. The old pumps were a specific speed, and the variation in crude supply was more difficult to handle. He stated that the electric pumps were installed to deal with a wider range of variation and throughput.

9:27:43 AM

AT EASE

9:29:00 AM

RECONVENED

9:29:07 AM

Vice-Chair Fairclough MOVED ADVANCE the NAME of Bernard Washington to appointment to the State Assessment Review Board. There being NO OBJECTION, it was so ordered.

Co-Chair Meyer stated that the signing of the report did not reflect the individual member's approval or disapproval

of the appointees, and the nominations were forwarded to the full legislature for confirmation or rejection, according to Uniform Rule 46.

9:30:01 AM

AT EASE

9:31:46 AM

RECONVENED

#sb194

SENATE BILL NO. 194

"An Act creating the Alaska Tourism Marketing Board and relating to tourism marketing."

9:32:22 AM

SENATOR LESIL MCGUIRE, explained SB 194. She referred to the Sponsor Statement (copy on file).

SB 194 creates a structure for marketing by the State of Alaska and develops a funding intent formula that can be supported by the legislature, the administration, and the private sector, so that tourism marketing is professionally led and managed.

The Alaska tourism board would be created in statute and comprised of a minimum of twenty one members. Eighteen of those would be recommended by ATIA, one member of the board from the Department of Commerce, Community and Economic Development, one member would be appointed from the House, and one member appointed from the Senate.

Tourism continues to be a growing, renewable industry that is the second largest employer in the state. Over 1.9 million visitors came to Alaska from October 2012-September 2013 spending over 1.8 billion dollars. This bill is an important step in continuing the growth of one of our most important industries.

Senator McGuire noted that tourism in Alaska was a statewide issue. The marketing for a tourist across the state varied area to area, and there were different categories for each tourist.

Senator McGuire noted that there was a zero fiscal note, because there was money that was already allocated to cover the cost of tourism marketing in the state.

Senator McGuire outlined the sections of the bill. Section 1 addressed the purposes of the board, which stated that expansion and growth of the state's visitor industry will benefit all of Alaska. She stated that the TAPS revenue was declining, and the benefits for increasing new development were still unknown. She stressed that Alaska must continue to diversify its economy. She shared that the board would help to increase the number of job opportunities and training for Alaskans. Section 2 formalized the relationship between Department of Commerce, Community and Economic Development (DCCED) and the board. She stated that there were different governors with different emphases over the years. The section's intent was to ensure that the board would stay intact through perpetuity. Section 3 set up the board. There would be at least three nominees submitted by Alaska Travel Industry Association (ATIA), because there was an effort to not politicize the board. The board's focus would be tourism marketing for Alaska. The board would meet at least twice a year. She looked at page 4, which addressed the rotation of terms to reflect some institutional knowledge. There would be six members who would serve three terms; six members serving two terms; and six members serving for one term.

[9:39:34 AM](#)

Co-Chair Meyer stated that the committee was apprehensive about creating new boards and commissions. He felt that this board seemed to be different, and that the tourism industry should be exploited. He wondered if the sponsor would be amenable for a sunset date and allow the board to be audited. Senator McGuire replied in the affirmative.

Co-Chair Meyer looked at page 4, and noted there were 21 members, and wondered what would happen to the other three. Senator McGuire explained that those three members would follow their appointment.

Co-Chair Meyer noted that he was unsure about the commissioner appointments. Senator McGuire stated that the DCCED commissioner or their designee should be a constant presence on the board.

Co-Chair Meyer queried the effective date. Senator McGuire responded that the effective date would be based on whether the industry would want an immediate effective date.

Co-Chair Kelly looked at Section 3, and appreciated the value of elected individuals in choosing appointed individuals.

[9:44:28 AM](#)

Senator Olson felt that a large board would result in a cumbersome work, and work may be slowed down because of so many personalities. Senator McGuire replied that there was often an exclusion of one region or a type of tourism operator. She felt that including all aspects of the industry was essential to the functioning of the board.

Senator Hoffman looked at page 2, line 31, and noted that 18 members would represent different regions of the state. He wondered if there could be an additional language that specifies, "including, but not limited to, the Arctic, the Interior, the Southcentral, Southeast, and Southwest." Senator McGuire replied that she would love to include that specification.

Senator Bishop would like some assurance that the 18 members held some smaller operators as well. Senator McGuire replied that the intent was to include some smaller businesses, and many letters of support indicated similar requests for inclusion on the board.

[9:49:10 AM](#)

Vice-Chair Fairclough looked at page 3, line 16, and noted the requirement for a quorum. She wondered if that would create a challenge depending on travel. She felt that the quorum may be hard to reach, because of the large number of members and possible conflicts or constraints. Senator McGuire replied that she was open to the change in language related to quorum requirements.

Senator McGuire explained that travel and per diem were only paid for the two legislative members and the commissioner.

BILL PEDLAR, CHAIR, GOVERNMENT RELATIONS COMMITTEE, ALASKA TRAVEL INDUSTRY ASSOCIATION, introduced himself. He testified in support of SB 194, and remarked that diversity in the travel industry made the industry very strong. He felt that the marketing board should represent that diversity. He stressed that the industry was careful to not get too specific. He remarked that achieving a quorum had never been a problem. He felt that the size of the board allowed for a wide range of inputs and values related to Alaska tourism.

Senator Olson queried the Mr. Pedlar's opinion on inserting a sunset into the legislation. Mr. Pedlar responded that that it was good business to include a sunset date, because everything deserves to be reviewed.

[9:55:43 AM](#)

Senator Olson queried a fair number of years to determine the effectiveness of the board. Mr. Pedlar replied that a five or six year window would be prudent. He stated that marketing had a cumulative effect.

Vice-Chair Fairclough remarked that there was sometimes hesitation in setting the sunset date too far ahead initially, in order to prevent bad habits. She wanted to ensure public participation, meeting notification, and handling the investment properly. She supported a sooner sunset date of the board. She furthered that there were different ways of establishing quorums on boards, and remarked that legislative members may need to address state business of greater priority. She wondered if a quorum may be met by requiring at least one member of each region attending the meeting, rather than basing a quorum on a majority of participants. Mr. Pedlar replied that nine voting members attending would be fine for a quorum. He furthered that he had been involved in cooperative marketing in his career, and had never had an issue in establishing a quorum. He stressed that the industry members would pay their own way to attend the meetings, which indicated a high level of commitment.

[10:00:32 AM](#)

ROBBIE GRAHAM, ASSISTANT COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, (DCCED) stressed that it was important to recognize the

collaboration with the state and the travel industry. She shared that there was a recent, formal collaboration through a Memorandum of Understanding (MOU) that was signed in FY 12 and reiterated in FY 13. She felt that she and the DCCED commissioner were uniquely qualified to implement the program based on their experiences in the tourism industry. She stated that the tourism marketing program was in the Division of Economic Development, and she pointed out the expertise of the leaders of those programs.

Ms. Graham highlighted some of the accomplishments of the tourism industry marketing program. She stated that summer visitation had reached similar numbers to 2007 and 2008 at 1.96 million visitors. The annual conversion rate was 12 percent, and pointed out that over a four year period there was 30 percent conversion rate. The state had generated 16 million through the public relations program and Alaska tourism promotions were recently published in the New York Times and other broadcast and social media. She stated that there was a cultural tourism program, and focused on Northwest Alaska. There was a movement to take the program statewide in the next years. There were international efforts that were enacted to enhance the 2014 season.

CHRIS PELOSO, ATTORNEY, DEPARTMENT OF LAW, JUNEAU, explained some technical problems with the bill. He looked at page 2, line 30, which read, "four members from ATIA." He stated that traditionally bills did not highlight a specific organization. He looked at language in AS 43.98.040 which involved a similar organization. That statute stated that "the members be nominated from the leading nonprofit trade association." He felt that specifying a specific organization runs the risk of invalidating the statute, if the organization is dissolved at any time. He also looked at page 3, line 9, Section 3 which gave power to appoint members of the board to a private organization and only gave the governor a form a veto of the recommendations. He felt that it was an unconstitutional limitation of the governor's authority. Under the Alaska Constitution, the governor was the only appointing authority, unless expressly addressed in the constitution itself. The legislature could no more provide to the governor to share power with an agency created by it than it can share the power itself. He suggested that the ability to appoint members solely rested with the governor.

[10:08:21 AM](#)

Vice-Chair Fairclough requested amended language. Mr. Wilson suggested that the language read, "have the governor appoint members."

Co-Chair Meyer wondered if Ms. Martin agreed with the perspective of Mr. Peloso.

HILARY MARTIN, LEGISLATIVE LEGAL SERVICES, JUNEAU (via teleconference), replied that naming the organization was a decision that the legislature should make. She understood the concern regarding changing the statute, if ATIA were dissolved. She felt that there was no clear answer regarding submitting a list of requested individuals for the governor to choose from.

Senator Dunleavy asked if boards existed with the similar processes outlined in the legislation. Ms. Martin asked for clarity of the question.

Senator Dunleavy asked if the governor traditionally appointed individuals based on a list of recommendations. Ms. Martin replied that she believed that there were other boards that submitted lists, but she could not name those boards.

Co-Chair Meyer encouraged the sponsor to work with the Department of Law to ensure the constitutionality of the legislation. Senator McGuire replied that she was unaware of the opinion of the Department of Law. She announced that Legislative Legal had approved the draft, and was willing to amend the language to the leading nonprofit in the industry. Regarding to the appointments, she was willing to say that the list was recommendations. She stressed that the recommendations must be submitted by the public to ensure transparency.

SB 194 was HEARD and HELD in committee for further consideration.

[10:16:05 AM](#)

AT EASE

[10:17:28 AM](#)

RECONVENED

[10:17:48 AM](#)

RECESS

[5:14:52 PM](#)

RECONVENED

#sb64

SENATE BILL NO. 64

"An Act establishing the Alaska Sentencing Commission; relating to jail-time credit for offenders in court-ordered treatment programs; allowing a reduction of penalties for offenders successfully completing court-ordered treatment programs for persons convicted of driving while under the influence or refusing to submit to a chemical test; relating to court termination of a revocation of a person's driver's license; relating to limitation of drivers' licenses; relating to conditions of probation and parole; and providing for an effective date."

[5:15:31 PM](#)

Co-Chair Kelly MOVED to ADOPT the proposed committee substitute for CS SB 64 (FIN), Work Draft 28-LS0116\L (Gardner, 3/12/14). There being NO OBJECTION, it was so ordered.

CHRISTINE MARASIGAN, STAFF, SENATOR KEVIN MEYER, remarked that the most substantial change was in the CS was adding the Alaska Criminal Justice Commission as it was in the original version. She pointed out that the commission was increased from 10 to 12 members. In the original 12 members there were two legislators from each body, this was reduced by two, so there was only one legislator from the senate and one legislator from the house.

Co-Chair Meyer surmised that the membership was reduced from 12 to 10. Ms. Marasigan agreed.

Ms. Marasigan shared that the second significant date was a sunset date in 2018, which was contingent on an audit, which was the third change in the CS. The only other changes were small editorial changes that were addressed while waiting for the fiscal changes.

Co-Chair Meyer wondered if there were conversations with the sponsor's office regarding the changes. Ms. Marasigan replied in the affirmative.

Co-Chair Meyer stated that the sponsor was present. He asked for explanation of the new fiscal notes. He wondered if there were any questions from committee members.

Senator Olson stated that he had some questions regarding the Alaska Criminal Justice Commission.

Ms. Marasigan explained the fiscal notes.

[5:20:14 PM](#)

AT EASE

[5:23:37 PM](#)

RECONVENED

Ms. Marasigan referred to a comparison sheet that outlined the differences between the old fiscal notes and new fiscal notes (copy on file).

Co-Chair Meyer wondered if the fiscal note for 2015 had been reduced from \$6.9 million to \$3.2 million. Ms. Marasigan replied in the affirmative.

Co-Chair Meyer surmised that the fiscal note for 2016 had been reduced from \$7.4 million to \$3.8 million. Ms. Marasigan agreed.

Co-Chair Meyer noted that the number of positions was reduced from 23 through 34 to 17 through 28. Ms. Marasigan agreed.

Co-Chair Meyer wondered how those reductions affected the program. He assumed the program was still intact, but the numbers were moved from Department of Health and Social Services (DHSS) and Department of Corrections (DOC). Ms. Marasigan agreed. She explained that the DHSS had more infrastructures to deal with the grant recidivism fund, wish programs in place to absorb some of those costs.

Vice-Chair Fairclough wondered how the \$4 million in program receipts were affected by the legislation. Ms. Marasigan deferred to Ms. Ryder.

5:28:25 PM

AMANDA RYDER, FISCAL ANALYST, LEGISLATIVE FINANCE DIVISION, (LFD) explained that the program receipt funds were possibly over-inflated. The fiscal notes were a more accurate reflection of the program.

Vice-Chair Fairclough asked if the inter-agency receipts on the fiscal note were intended for the health position. Ms. Marasigan replied in the affirmative. She stated that there was an existing program for testing that would be contracted out for services.

Vice-Chair Fairclough wondered if there was enough capacity inside the budget to spend the extra money without additional appropriation power. Ms. Marasigan replied that the current program was in three different communities, and the program would be phased in. She remarked that the purpose of the program was to reduce recidivism.

Co-Chair Meyer asked if the sponsor was supportive of the changes in the legislation.

5:33:18 PM

SENATOR JOHN COGHILL, responded that he was in support of the legislation. He shared that he would continue to work on the licensing provisions, but could not be included in the current version of the legislation.

Senator Olson queried the reason why a task force or audit capability could not take the place of the commission, rather than another financial burden. Senator Coghill understood that concern. He felt that a group must be organized to represent the best in the industry including superior and supreme court justices; public defenders; prosecutors; and individuals in the Alaska Native population to ensure that the best efforts were practiced under the rigid sentencing laws. He felt that the commission must be highly professional in order to deliver the most informed recommendations related to ensuring public safety and examining some flexibility in the current laws.

Vice-Chair Fairclough looked at the combined total of new travel of over \$50,000. She asked for explanation of the

ongoing travel funding. Ms. Marasigan deferred to Ms. Huston.

LESLIE HUSTON, DEPUTY COMMISSIONER, DEPARTMENT OF CORRECTIONS, assumed the question was related to the \$23,000 in travel in association with the implementation of PACE for probation and parole statewide. The funds were necessary for the response for the swift, certain, and short-term offenders.

Vice-Chair Fairclough stressed that there was an addition of \$50,000 worth of new travel. Ms. Huston only saw \$23,000 in travel.

Vice-chair Fairclough remarked that the new travel costs included more departments than just DOC.

[5:41:55 PM](#)

AT EASE

[5:43:03 PM](#)

RECONVENED

Vice-Chair Fairclough MOVED to REPORT CS SB 64 out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CS SB 64 (FIN) was REPORTED out of committee with a "do pass" recommendation and with previously published zero fiscal notes: FN:8(ADM), FN:9(ADM), FN:10(ADM), FN:11(LAW), FN:12(GOV); three new fiscal impact notes from the Senate Finance Committee; new fiscal impact note from the Department of Corrections; new fiscal impact note from the Alaska Court System; and new zero fiscal note from the Alaska Court System.

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ADJOURNMENT

[5:46:51 PM](#)

The meeting was adjourned at 5:46 p.m.